GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5059
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Review of Working of IRDAI and SEBI
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Will the Minister of FINANCE be pleased to state:

(a) whether regulatory bodies like Insurance Regulatory and Development Authority of India (IRDAI) and Securities and Exchange Board of India (SEBI) have not been able to achieve their objective of protecting the investments made by small investors in the private sector companies;

(b) if so, the details thereof along with the reasons therefor;

(c) whether the activities/works of IRDAI and SEBI have been reviewed from time to time and if so, the details thereof; and

(d) if not, the reasons therefor including the reaction of the Government thereto?

Answer

Minister of State in the Ministry of Finance

(a) and (b): As per Insurance Regulatory and Development Authority of India (IRDAI), the investments of the insurance companies are regulated through IRDAI (Investment) Regulations, which apply to public as well as private sector insurance companies. Investments of insurance companies are pooled investments of monies belonging to policyholders, which do not differentiate between small and big investors.

IRDAI (Investment) Regulations, prescribe the pattern of investment for all insurance companies and also prescribe prudential exposure norms for Investee/Promoter Group and Industry Sector as a whole to protect the interests of the Policyholders.

The Preamble of the Securities and Exchange Board of India (SEBI) describes the basic functions of the Securities and Exchange Board of India as:

"...to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto"

In view of the preamble, SEBI has framed Regulations for the securities market, inter alia, to ensure that the interest of the investors is protected by way of disclosures, transparency and fair treatment to investors.

In order to protect the interest of investors and to enable them to make an informed investment decision, SEBI has put in place a disclosure based regulatory framework.

SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 stipulate that offer documents contain relevant, adequate and accurate information regarding the issue and the issuer. The information so disclosed is required to be certified by a SEBI Registered Merchant Banker who shall certify the disclosures after undertaking due diligence process.

A listed entity would be required to disclose information under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, from time to time. Such disclosures which inter alia include financial statements, shareholding pattern, disclosures related to events, etc., enable investors to make an informed decision. However, the investments made in the securities market are subject to market risk.

(c) & (d): IRDAI and SEBI are statutory regulatory bodies. Government does not review their working on a periodic basis. However, various Parliamentary Committees review their performance.